

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2014-69-S - ORDER NO. 2014-752  
SEPTEMBER 18, 2014

IN RE: Application of Palmetto Wastewater	)	ORDER APPROVING
Reclamation, LLC (Alpine Utilities and	)	INCREASE IN RATES
Woodland Utilities Service Areas) for	)	AND CHARGES, RATE
Adjustment of Rates and Charges	)	SCHEDULE
	)	MODIFICATIONS, AND
	)	SETTLEMENT
	)	AGREEMENT

**I. INTRODUCTION**

This matter comes before the Public Service Commission of South Carolina (the “Commission”) on the Application of Palmetto Wastewater Reclamation, LLC (“PWR” or “the Company”) for an increase in rates and charges for the provision of sewer service and the modification of certain terms and conditions related to the provision of such service. The Application was filed on March 18, 2014, pursuant to S.C. Code Ann. § 58-5-240 (Supp. 2013) and 10 S.C. Code Ann. Regs. 103-512.4.A and 103-503 (2012) and utilized a test year ending December 31, 2013.

By letter dated March 28, 2014, the Commission’s Clerk’s Office instructed PWR to publish a prepared Notice of Filing and Hearing, one time, in newspapers of general circulation in the area affected by PWR’s Application. The Notice of Filing and Hearing described the nature of the Application, included a comparison of current and proposed rates for both residential and commercial customers, and advised all interested persons desiring to participate in the proceedings and hearing of the manner and time in

which to file appropriate pleadings for inclusion in the proceedings as a party of record. Additionally, the Commission instructed PWR to notify directly by U.S. Mail, or electronic mail for those customers who have agreed to receive notices via electronic mail, each customer affected by the Application by mailing each customer a copy of the Notice of Filing and Hearing. On April 14, 2014, the Company filed an Affidavit of Publication demonstrating that the Notice of Filing and Hearing had been duly published and on April 9, 2014, provided a letter certifying that it had complied with the instructions of the Commission's Clerk's Office by mailing notices to each affected customer.

As reflected in the Notice of Filing and Hearing, the Company proposed new monthly sewer service rates of \$35.50 for residential customers and \$35.50 per single family equivalent ("SFE") for commercial customers. By its Application, the rates sought by the Company would permit it the opportunity to earn \$754,292 in additional annual revenues. The Application also sought a modification of the single family equivalency factors for fast-food restaurants, provided at 6 S.C. Code Ann. Regs. 61-67, Appendix A, Section FF Restaurants (2012), by reducing the number of wastewater gallons attributable to drive-through customers (Section FF.1 and 2) served by such restaurants from forty (40) gallons to ten (10) gallons.

Arch Enterprises, LLC d/b/a McDonalds ("Arch") and Corley Construction, LLC d/b/a Broad River Carwash and Laundry ("Corley") both filed Petitions to Intervene in this matter. No other petition to intervene was filed in this case in response to the Notice

of Filing and Hearing. Pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2013), the South Carolina Office of Regulatory Staff (“ORS”) is a party of record in this proceeding.

On August 18, 2014, PWR, Arch, Corley and ORS (the “Settling Parties”) filed a Settlement Agreement with the Commission. The Settling Parties represented to the Commission that they had negotiated a resolution to the issues presented in this case as a result of a mediation conducted by Commission General Counsel Joseph M. Melchers on August 14, 2014, and determined that their interests would best be served by settling under the terms and conditions set forth in the Settlement Agreement (the “Settlement Agreement”), which is attached hereto as Order Exhibit 1. ORS stated in the Settlement Agreement that the settlement serves the public interest, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina. The Settlement Agreement states that the Settling Parties view the terms thereof, which provide *inter alia* a monthly residential service rate of \$34.50, a mobile homes rate of \$25.75, and a commercial rate of \$34.50 per SFE where commercial customers will have a minimum rating of one SFE, additional annual service revenues of \$434,217, a resulting operating margin of 17.07%, and certain modifications and additions to the Company’s rate schedule, to be just and reasonable.

Most pertinent to the disputed issues among the parties in this case, the Settlement Agreement provides for a modification of the single family equivalency factors for fast-food restaurants by eliminating the number of gallons of wastewater attributable to drive-through customers served by such restaurants under 6 S.C. Code Ann. Regs. 61-67, Appendix A, Section FF.1 and 2 (2012) and by setting forth the monthly rate to be

charged to Corley and Arch based on the application of the single family equivalency factors. Accordingly, Paragraph 11 “SINGLE FAMILY EQUIVALENT” of the Proposed Sewer Rate Schedule, attached to the Settlement Agreement as Exhibit 1 and adopted by this Order, only charges an equivalency factor for customers in cars to the separate category of drive-in restaurants.

## **II. TESTIMONY RECEIVED FROM THE SETTLING PARTIES, THE INTERVENORS AND THE PUBLIC WITNESSES**

A public hearing was held in the offices of the Commission on August 19, 2014, beginning at 10:00 a.m., to receive testimony from the Settling Parties, the Intervenor, and any public witnesses.<sup>1</sup> Additionally, a public night hearing was scheduled to be held in the Commission’s offices beginning at 6:00 p.m. on August 19, 2014. The Honorable Nikiya “Nikki” Hall, Chairman of the Commission, presided. PWR was represented by John M.S. Hoefer, Esquire. ORS was represented by Jeffrey M. Nelson, Esquire, and Florence P. Belser, Esquire. The Intervenor, Arch and Corley, were represented by D. Reece Williams, III, Esquire, and Kathleen M. McDaniel, Esquire.

At the beginning of the hearing, the Commission received and accepted into the record the Settlement Agreement as Hearing Exhibit 1 without objection. Under the terms of the Settlement Agreement, the pre-filed direct testimonies (and, where applicable, exhibits) of PWR witnesses Fred (Rick) Melcher, III, Manager of Public

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<sup>1</sup> The hearing was continued from its original date of July 22, 2014, by virtue of a Commission Standing Hearing Officer Directive issued June 19, 2014.

Relations for Ni America Operating LLC (a subsidiary of PWR's indirect parent, Ni America Capital Management LLC), Marion F. Sadler, Jr., of Sadler Environmental Assistance, Donald J. Clayton, Principal in charge of Management Consulting at Tangibl, LLC, Edward R. Wallace, Sr., CPA, President and CEO of Ni America Capital Management, LLC, and Craig Sherwood, South Carolina Vice President of Operations for Ni America Operating, LLC; the pre-filed direct testimonies and exhibits of Alexis F. Warmath on behalf of Arch and Corley; the pre-filed direct testimony and exhibits of Todd Corley on behalf of Corley; the pre-filed direct testimony of Robert C. Valdes on behalf of Arch; and the pre-filed direct testimonies and exhibits of ORS witnesses Daniel F. Sullivan, an Auditor employed by ORS, and Willie J. Morgan, Program Manager for Water and Wastewater for ORS, were stipulated into the record.

One public witness appeared and testified at the beginning of the 10:00 a.m. hearing. Mr. Danny Brabham, a customer of PWR and President of the Woodland Hills Homeowner's Association, testified in support of the Application, stating that PWR had spent a significant amount of money to rehabilitate a system which was in need of much repair and his personal opinion was that the proposed rate increase was warranted. At the public night hearing, eight customers of the system provided testimony, six of whom generally opposed the requested increase in residential rates. One additional public witness, Ms. Guletta Golden, testified regarding a specific complaint which she had regarding damage to her front yard and plumbing in July 2013 which she attributed to PWR. Another public witness, Vincent A. Vogt, testified regarding his objection to the Company's use of elder valves on the ground that they were unsightly and detracted from

the appearance of customers' premises. A third public witness, Pamela Ferst, stated her objection to having a "shut-off valve" visible in her yard.

Two of the Company witnesses, Mr. Gary Walsh and Mr. Rick Melcher, were sworn in, provided settlement testimony into the record in support of the Settlement Agreement, and were made available for cross-examination by the parties and examination by the Commission. Mr. Walsh testified that he believed that the agreed upon rates would allow PWR the opportunity to earn a reasonable return on its investment, while at the same time ensuring safe and reliable service to its customers at affordable rates. Mr. Melcher testified that, although the Company had sought a higher amount of additional revenues than the settlement produces, the Company was comfortable that it can maintain its financial viability if the rates proposed in the Settlement are approved. Under examination from the Commission, Mr. Melcher stated that this Application by the Company was intended to not only seek rate relief for the Company, but also to consolidate the operations and rates of the Alpine and Woodlands systems and to provide for the adjustment of SFEs attributed to fast-food restaurants.

Mr. Willie Morgan was sworn in and provided settlement testimony on behalf of ORS. Mr. Morgan stated that ORS believed that the Settlement was a fair resolution of the disputed issues in the case and that the terms and conditions of the Settlement were in the public interest. Mr. Morgan also testified that ORS would review and report to the Commission regarding any updated rate case expenses provided by PWR subsequent to the hearing.

At the Commission's request, Mr. Sherwood was sworn in and testified regarding the circumstances which gave rise to the excavation to Ms. Gulden's front yard and the Company's immediate and subsequent actions in response. Mr. Sherwood acknowledged that, while carrying out work in connection with the customer's sewer service, the Company had accidentally broken the customer's water service line and had excavated her yard to repair the break. According to Mr. Sherwood, Ms. Gulden's landscaping was restored by the Company. Mr. Sherwood further stated that Ms. Gulden's damages claim involved an issue with the disconnection of internal plumbing fixtures and the customer drain line that connects to the customer service line which was not the responsibility of the Company, as it was not caused by any action of the Company. Mr. Sherwood stated this condition was discovered by a plumber hired by the Company to reconnect Ms. Gulden's water line when he went beneath her residence.

Also at the Commission's request, Mr. Wallace was sworn in and testified regarding the circumstances which give rise to the Company's policy of installing elder valves -- primarily on residential customer premises -- and the Company's commitment to install turf boxes on a periodic basis where the unsightly service is an elder valve. Mr. Wallace noted that, in some instances, the equipment is actually a cleanout, as opposed to an elder valve.

### III. FINDINGS OF FACT

Based upon the Application, the Settlement Agreement, the testimony and exhibits received into evidence at the hearing, and the entire record of these proceedings, the Commission makes the following findings of fact:

1. By statute, the Commission is vested with jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the duty, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State. S.C. Code Ann. § 58-5-210 (1976). The Company is engaged in the business of providing wastewater collection and treatment services to the public for compensation in portions of Lexington and Richland counties and is therefore a public utility subject to the Commission's jurisdiction.

2. The Company is lawfully before the Commission on an application for rate relief and modifications to certain terms and conditions of service pursuant to S.C. Code Ann. § 58-5-240(A) (Supp. 2013) and 10 S.C. Code Ann. Regs. 103-503 and 103-512.4.A (2012).

3. The appropriate test year for use in this proceeding is January 1, 2013, to December 31, 2013.

4. The Company, by its Application, originally sought an increase in its annual sewer service revenues of \$754,292 based upon a proposed monthly sewer service



charge of \$35.50 for residential customers, \$35.50 per SFE (with a minimum rating of one SFE) for commercial customers, and \$26.50 for mobile homes.

5. The Company submitted evidence in this case with respect to PWR's revenues and expenses using a test year consisting of the twelve (12) months ended December 31, 2013. The Settlement Agreement is based upon the same test year and reflects ORS's proposed adjustments to the test year revenue and expense figures submitted by PWR and a further modification of the number of SFEs attributable to fast-food restaurants with drive-through facilities under 6 S.C. Code Ann. Regs. 61-67 Appendix A, Section FF.1 and 2 (2012) through the elimination of any gallons attributable to cars served at such restaurants' drive-through windows.

6. Neither the Intervenors, nor the Company submitted any evidence contesting the revenues and expenses as adjusted by ORS.

7. Under the terms of the Settlement Agreement, all Parties stipulated and agreed to a rate of \$34.50 per month for residential customers and a rate of \$34.50 per month for each SFE (with a minimum rating of one SFE) for commercial service and \$25.75 for mobile homes. The Parties also agreed to a further reduction in the number of gallons of wastewater attributable to cars served by fast-food restaurants with drive-through facilities from the ten (10) gallons per car served proposed in the Application to zero. The Parties acknowledged that PWR will continue to utilize the Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities in Appendix A to 6 S.C. Code Regs. 61-67 (2012) in determining the number of gallons of wastewater attributable to seats provided by fast-food restaurants under R. 61-67 Appendix A Section

FF.1 and 2. Additionally, PWR will continue to utilize the Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities in Appendix A to 6 S.C. Code Regs. 61-67 (2012) in determining the number of gallons of wastewater attributable to fast-food drive-in restaurants under R. 61-67 Appendix A Section FF.3.

8. The Settlement Agreement reached by the Settling Parties and resolving the issues in this proceeding was filed by ORS on August 18, 2014.<sup>2</sup>

9. The Settlement Agreement provides for an increase in revenue, after accounting and pro forma adjustments, of \$443,167, based upon a proposed monthly sewer service charge of \$25.75 for mobile home customers, \$34.50 for residential customers, and \$34.50 per SFE (with a minimum rating of one SFE) for commercial customers. This results in an operating margin of 17.07%. After taking into account the additional rate case expenses verified by ORS subsequent to the hearing in this matter, the additional revenue provided for in the Settlement Agreement results in an operating margin of 16.96%.

10. In the Settlement Agreement, the parties specifically agree to a monthly charge to Arch of \$410.00 with a refund, on terms set forth in the Settlement Agreement, of \$20,298.47. The parties also specifically agree to a monthly charge to Corley of \$836.00, with Corley to pay a current balance of \$12,181.00 to PWR on terms set forth in the Settlement Agreement.

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<sup>2</sup> Included as Attachments to the Settlement Agreement are "Settlement Agreement Exhibit 1", the Proposed Sewer Rate Schedule, and "Settlement Agreement Exhibit 2" which details the accounting adjustments, operating experience, revenues and operating margin agreed to by the Parties to the Settlement Agreement.

11. After careful review and consideration by this Commission of the Settlement Agreement, the evidence contained in the record of this case, including the verified pre-filed direct testimonies of the witnesses, settlement testimonies, and hearing exhibits, the Commission finds and concludes that the Settlement Agreement results in just and reasonable rates and charges for the provision of sewer service. Based on the operating revenues, income, and expenses agreed upon by the Settling Parties, the resulting allowable operating margin for the Company is 16.96%.<sup>3</sup> See S.C. Code Ann. § 58-5-240(H) (Supp. 2013).

12. The Commission finds that PWR has invested approximately \$7.5 Million in plant, equipment, and facilities in the Alpine and Woodlands systems since August 2011. The rates and charges of the Proposed Sewer Rate Schedule attached as Exhibit 1 to the Settlement Agreement are hereby adopted and attached hereto as part of Order Exhibit 1. It is our opinion that these rates and charges are just and reasonable, fairly distribute the costs of providing service as reflected in the Company's revenue requirement, allow the Company to earn a reasonable return on its investments, and allow PWR to continue to provide its customers with adequate sewer service. Additionally, we find the Proposed Rate Schedule provides terms and conditions for sewer service that are just and reasonable. We therefore further find that the proposed rates, charges, and terms and conditions of service contained in the Proposed Rate Schedule are hereby approved in their entirety.

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<sup>3</sup> See discussion at p. 14.

13. The Commission finds that the proposed modifications and additions to the terms and conditions of the Company's sewer service, specifically the language eliminating application to cars served by fast-food restaurants with drive-through facilities and applying only to cars served at a drive-in restaurant, appearing in R. 61-67 Appendix A Section FF.3, is appropriate, just and reasonable.

#### **IV. EVIDENCE AND CONCLUSIONS**

##### **EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 1-3**

The Company is a public utility subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. § 58-3-140(A) (Supp. 2013) and 58-5-210 (1976). The Commission requires the use of an historic twelve-month test period under 10 S.C. Code Ann. Regs. 103-823.A(3) and 103-512.4(A) (2012). These findings of fact and conclusions of law are informational, procedural, and jurisdictional in nature and are not contested by any party of record in this proceeding.

##### **EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 4-13**

The Commission last approved an increase in rates for PWR's Woodlands customers in Order No. 2007-473, issued August 8, 2007, in Docket No. 2007-61-S, and for PWR's Alpine customers rates in Order No. 2013-3(A) issued January 11, 2013, in Docket No. 2012-94-S. On March 18, 2014, PWR filed its Application seeking an increase in annual revenues of \$754,292. The Company and ORS submitted evidence in this case with respect to revenues and expenses using a test year for the twelve months ending December 31, 2013. The Intervenors submitted testimony with regard to the SFE

calculations used by PWR in billing Arch and Corley. The Settlement Agreement filed by the Settling Parties on August 18, 2014, is based upon the test year of December 31, 2013, as proposed in the Application and provides for an increase in annual service revenues of \$434,217, resulting in an operating margin of 17.07% based upon the Company's revenues and allowable expenses. This operating margin was later reduced to 16.96% as explained below.

**a) Basis for Rate Relief**

In his pre-filed direct Testimony, Company witnesses Clayton testified that the Company had experienced an increase in operating expenses of \$691,658 since the last rate increases for the two systems. (Clayton, pg. 9, Ln. 7-8). Company Witness Wallace testified that total investments by PWR in the Alpine and Woodlands systems since August 2011 exceed \$7.5 Million. (Wallace, pg. 4, Ln. 7-21). Although, as a result of the agreed upon adjustments among the Settling Parties the increase in allowable expenses is less than initially asserted by the Company, the expenses have increased significantly and the Company is experiencing an operating margin of 10.91%, which is less than that previously approved for it by this Commission.

**b) Approved Rates and Resulting Operating Margin**

Company witnesses Walsh and Melcher and ORS Witness Morgan each asserted in their testimony from the stand that the charges resulting from the terms of the Settlement Agreement were just and reasonable. The Settling Parties have accepted all ORS adjustments as detailed in the stipulated pre-filed Direct Testimony of ORS Witness

Daniel F. Sullivan, as revised by Settlement Agreement Exhibit 2 (Pre-filed Direct Testimony of Daniel F. Sullivan; Hearing Exhibit No. 2; and Hearing Exhibit No. 1). Settlement Agreement Exhibit 2 shows that the rates agreed to by the Settling Parties in the Settlement Agreement generate an operating margin of 17.07%, which is reduced to 16.96% when the additional rate case expenses reflected in the affidavit of ORS Witness Sullivan are included. The operating margins specified above take into account the modification of SFEs for commercial customers resulting from changes to Section 11 of the Proposed Sewer Rate Schedule (Settlement Agreement Exhibit 1).

**c) Additions to and changes in the terms and conditions of service**

The Settling Parties reference, in paragraph 3 of the Settlement Agreement, language in Section 11 of the Proposed Sewer Rate Schedule (Settlement Agreement Exhibit 1) to reflect an equivalency factor attributable only to cars served at drive-in fast-food restaurants, omitting an equivalency factor calculating the number of cars using restaurants with drive-through facilities. Therefore, the contributory loading guidelines found at 6 S.C. Code Ann. Regs. 61-67 Appendix A sub-part FF.3 will only be applied to cars served at a drive-in facilities. However, PWR shall continue to utilize the Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities in Appendix A to 6 S.C. Code Regs. 61-67 (2012) to determine the SFEs attributable to commercial customers with the exception of the one modification noted above.

The Commission notes specifically that Appendix A to 6 S.C. Code Ann. Regs. 61-67, in its current and prior forms, has been incorporated in the Company's previous rate schedules and is used in the rate schedules of nine other jurisdictional sewer utilities.

d) **Rate Design**

The proper rate design for PWR was the only disputed issue presented by the parties in this proceeding and was resolved through mediation as evidenced by the Settlement Agreement entered by all the Parties and filed with the Commission on August 18, 2014. The Settlement Agreement contemplates that the current rate design featuring a flat monthly charge for sewer service per SFE, with a minimum commercial charge based upon one (1) SFE, be retained. The direct testimonies of Messrs. Warmath, Valdes, and Corley proposed alternative rate designs based upon customers' metered water consumption, yet ultimately the parties agreed to rates based on modifications to application of the Guidelines as detailed in the Settlement Agreement.

Although certain of the public witnesses, including Ms. Sandra Sheppard, Ms. Naomi Hall, and Ms. Lorraine Simmons, stated objections to an increase in PWR's rates, none proposed alternative rate designs to the flat rate proposed by the Company or evidence to support allegations that PWR was not entitled to rate relief. Uniform rates are generally preferred and the burden of establishing the reasonableness of a non-uniform rate design lies with those seeking it. *See August Kohn and Co., Inc. v. The Public Service Commission of South Carolina*, 281 S.C. 28, 313 S.E.2d 630 (1984). For the reasons discussed above, we conclude that this burden has not been met in the present case by the public witnesses and was conceded by the Intervenors through their adoption of the Settlement Agreement.

Rate design is a matter of discretion for the Commission. In establishing rates, it is incumbent upon us to fix rates which "distribute fairly the revenue requirements [of the

utility.]” *See Seabrook Island Property Owners Association v. S.C. Public Service Comm’n*, 303 S.C. 493, 499, 401 S.E.2d 672, 675 (1991). Our determination of “fairness” with respect to the distribution of the Company’s revenue requirement is subject to the requirement that it be based upon some objective and measurable framework. *See Utilities Services of South Carolina, Inc. v. South Carolina Office of Regulatory Staff*, 392 S.C. 96, 113-114, 708 S.E.2d 755, 764-765 (2011). The Supreme Court has approved of our use of single family equivalents in the rate design for a sewer utility where the evidence supports it. *See Seabrook Island Property Owners Ass’n v. South Carolina Public Service Commission*, 303 S.C. 493, 401 S.E.2d 672 (1991). The current rate design providing for uniform, flat rates for residential customers meets this requirement in that it recognizes that even though residential wastewater flow can vary considerably by and among customers, there is no means by which these variances in demand may be readily and economically measured. Thus, spreading the cost associated with that service equally among all customers within the class based upon design guidelines projecting their relative maximum daily wastewater discharges – which is what R. 61-67 Appendix A sets forth -- is both objective and measurable. Similarly, the imposition of flat rates on commercial customers based upon equivalencies established under the guidelines found in 6 S.C. Code Ann. Regs. 61-67, Appendix A satisfies this requirement in that it treats similarly situated commercial customers uniformly. As a part of the settlement entered by the Parties in this case, we adopt the modifications proposed regarding application of the guidelines by the Settling Parties as reasonable adjustments based on the parties’ understanding and interpretation of the guidelines as well as updated



data regarding customer counts and usage. In conclusion, the rate design proposed by the Settlement Agreement is reasonable as it establishes rates which fairly distribute the revenue requirements of the utility.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Settlement Agreement with accompanying attachments is attached hereto as Order Exhibit 1 and is incorporated into and made a part of this Order by reference.

2. The Settlement Agreement is adopted by this Commission and is approved as it produces rates that are just and reasonable and in the public interest as well as authorizing a reasonable operating margin for the Company.

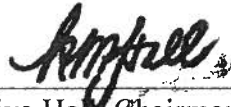
3. The rates imposed shall be those rates agreed upon in the Settlement Agreement as shown in Settlement Agreement Exhibit 1 and shall be effective for service rendered by the Company on and after the date of this order.

4. The additional revenues that the Company is entitled to the opportunity to earn results in an operating margin of 16.96%.

5. The Company's books and records shall continue to be maintained according to the NARUC Uniform System of Accounts.

6. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



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Nikiya Hall, Chairman

ATTEST:



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Swain E. Whitfield, Vice Chairman  
(SEAL)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO.2014-69-S**

August 18, 2014

IN RE:

Application of Palmetto Wastewater  
Reclamation, LLC for Adjustment of  
Rates and Charges for Sewer Service

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**SETTLEMENT AGREEMENT**

This Settlement Agreement is made by and between Palmetto Wastewater Reclamation LLC ("PWR" or the "Company"), the South Carolina Office of Regulatory Staff ("ORS"), Arch Enterprises, LLC d/b/a McDonalds ("Arch") and Corley Construction, LLC d/b/a Broad River Carwash and Laundry ("Corley"), all of whom may collectively be referred to as the "Parties" or sometimes individually as a "Party".

WHEREAS, on March 18, 2014, PWR filed an Application for the Adjustment of Rates and Charges (the "Application") requesting that the Commission approve the revised rates, charges, conditions, and terms of service for customers served by the Company's Alpine system and the Company's Woodland system in certain areas of Richland and Lexington counties which would permit the Company an opportunity to earn \$770,431 in additional revenues;

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the "Commission") pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2013) and 10 S.C. Code Ann. Regs. 103-512.4.B (2012);



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WHEREAS, the Company provides sewer service to approximately 1,508 residential and 229 commercial account customers in Richland and Lexington counties;

WHEREAS, ORS has examined the books and records of the Company relative to the issues raised in the Application and has conducted financial, business, and site inspections of PWR and its wastewater collection and treatment facilities; and

WHEREAS, the Parties on August 18, 2014, participated in a mediation session regarding the issues in dispute among them, with Commission Hearing Officer Joseph M. Melchers serving as mediator pursuant to Commission Order No. 2014-655 issued August 8, 2014, in the docket, the purpose of which mediation was to determine whether a settlement in this proceeding could be reached which would be in the best interests of the Company and the Intervenors and in the public interest; and,

WHEREAS, the Parties have reached a settlement of the disputed issues among themselves as a result of the aforementioned mediation session,

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order addressing the merits of this proceeding, will result in rates and charges for sewer service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable operating margin.

1. The Parties stipulate and agree to the rate schedule attached hereto and incorporated herein by reference as Settlement Agreement Exhibit 1. As reflected therein, the Parties have agreed to a flat rate of \$34.50 per month for residential sewer service and a minimum flat rate of \$34.50 per month for each single-family equivalent ("SFE") for commercial service.

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2. The Parties agree that a rate of \$34.50 per month represents an increase of \$5.50 per month from the current rate of \$29.00 per month for customers served by the Company's Alpine system and represents an increase of \$10.50 per month for customers served by the Company's Woodland system and is fair, just, and reasonable to customers of the Company's system while also providing the Company with the opportunity to recover the revenue required to earn a fair operating margin. The Parties stipulate that the aforementioned monthly rate will give the Company an opportunity to earn \$434,217 in additional sewer service revenue, which results in an operating margin of 17.07%. The Parties stipulate to and accept the accounting adjustments proposed by ORS as set forth on Exhibit 2 hereto.

3. The Parties further acknowledge that PWR shall continue to utilize the Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities found at Appendix A to 6 S.C. Code Regs. 61-67(2012) to determine the Single Family Equivalents ("SFEs") attributable to commercial customers as provided for in its current rate schedule for commercial customers with the modification shown in paragraph 11 of Settlement Exhibit 1.

4. The Company agrees to refund to Arch the sum of \$20,298.47, same to be paid in four equal quarterly installments beginning with the 90<sup>th</sup> day after the effective date of any Commission Order approving this Settlement Agreement and to credit Arch's account the sum of \$20,298.47, same to be reflected in monthly statements beginning with the first full billing cycle after the effective date of any Commission Order approving this Settlement Agreement and continuing until the credit amount has been satisfied based upon the agreed monthly rate. In exchange, Arch agrees to withdraw or dismiss its appeal from the Commission's orders in Docket No. 2014-153-S now pending before the South Carolina Supreme Court in Appellate

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Case No. 2014-001278. Arch, the Company, and ORS agree that as a result of the application of the rate schedule attached as Exhibit 1, the monthly charge to Arch will be \$410.00.

5. The Company agrees to reduce Corley's current account balance by the sum of \$24,965.08, with the remaining balance of \$12,181.00 owed to the Company by Corley to be paid in four, equal quarterly installments, with the first such payment being due on the 90<sup>th</sup> day after the effective date of any Commission Order approving this Settlement Agreement. In exchange, Corley agrees to withdraw its complaint against the Company pending before the Commission in its Docket No. 2013-101-S. Corley, the Company, and ORS agree that as a result of the application of the rate schedule attached as Exhibit 1, the monthly charge to Corley will be \$836.00.

6. PWR agrees to continue to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts as required by the Commission's rules and regulations and that ORS shall have access to all books and records of this system and may perform an examination of these books as necessary.

7. The Company agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a sewer system.

8. The Company agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. §58-5-10(4) (Supp. 2013). The Company agrees to maintain its current certificate of deposit in amount of Three Hundred Fifty Thousand (\$350,000.00) Dollars in satisfaction of the requirements set forth in S.C. Code Ann. §58-5-720 (Supp. 2012).

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9. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

10. The Parties agree to stipulate into the record the following: the pre-filed direct testimonies and exhibits of Donald J. Clayton, Fred (Rick) Melcher, III, Craig Sherwood, Marion F. Sadler, Jr., and Edward R. Wallace, Sr. on behalf of PWR; the pre-filed direct testimonies and exhibits of Alexis F. Warmath on behalf of Arch and Corley; the pre-filed direct testimony and exhibit of Todd Corley on behalf of Corley; the pre-filed direct testimony of Robert C. Valdes on behalf of Arch; the pre-filed direct testimony and Audit Exhibits DFS-1 through DFS-4 of ORS witness Daniel F. Sullivan; the pre-filed direct testimony and Exhibits WJM-1 through WJM-3 of ORS witness Willie J. Morgan, P.E. The parties further stipulate that the following persons shall testify in support of the within Settlement Agreement: Gary E. Walsh, Fred (Rick) Melcher, and Willie J. Morgan.

11. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. §58-4-10(B)(Supp. 2013). S.C. Code §58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

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ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

12. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. The Parties acknowledge that this Settlement Agreement may not be used by any Party for any purpose in any other proceeding, case, docket, action, appeal or other judicial or quasi-judicial setting, it being agreed that this Settlement Agreement pertains to and resolves only the instant docket. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

13. This Settlement Agreement shall be interpreted according to South Carolina law.

14. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.


A handwritten signature in black ink, located in the bottom right corner of the page. The signature is stylized and appears to be a combination of letters, possibly 'R' and 'J'.



Order Exhibit 1  
Docket No. 2014-69-S  
Order No. 2014-752  
September 18, 2014  
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15. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed.

**Representing the South Carolina Office of Regulatory Staff**



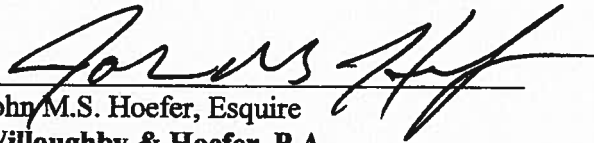
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R  
H

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**Representing Palmetto Wastewater Reclamation LLC**



John M.S. Hoefer, Esquire  
**Willoughby & Hoefer, P.A.**

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Columbia, South Carolina 29202

Tel.: (803) 252-3300

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E-mail: [jhoefer@willoughbyhoefer.com](mailto:jhoefer@willoughbyhoefer.com)

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gm

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**Representing Corley Construction, LLC, d/b/a Broad River Carwash and Laundry and  
Arch Enterprises, Incorporated d/b/a McDonalds**

A handwritten signature in blue ink, reading "D. Reece Williams, III", is written over a horizontal line.

D. Reece Williams, III Esquire  
Callison, Tighe & Robinson  
Post Office Box 1390  
Columbia, SC 29202  
Tel: (803) 404-6900  
Fax: (803) 404-6902  
E-mail: reecewilliams@callisontighe.com

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jm

**SETTLEMENT AGREEMENT EXHIBIT "1"**

PALMETTO WASTEWATER RECLAMATION LLC  
1713 WOODCREEK FARMS ROAD  
ELGIN, SC 29045  
(803) 699-2422

**PROPOSED SEWER RATE SCHEDULE**

**1. MONTHLY CHARGE**

- a. Residential - Monthly charge per  
single-family house, condominium,  
villa or apartment unit \$34.50
- b. Mobile Homes \$25.75
- c. Commercial - Monthly charge per  
single-family equivalent \$ 34.50
- d. The monthly charges listed above are minimum charges and shall apply even if  
the equivalency rating is less than one (1). If the equivalency rating is greater  
than one (1), then the monthly charges may be calculated by multiplying the  
equivalency rating by the monthly charge of \$34.50.

Commercial customers are those not included in the residential and mobile home categories above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc. Minimum commercial customer equivalency ratings may exceed one (1) in some cases.

The Utility may, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

**2. NONRECURRING CHARGES**

- a. Sewer service connection charge per  
single-family equivalent \$250.00

**PAGE 2 - SETTLEMENT AGREEMENT EXHIBIT 1**

- b. The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

**3. NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES**

- a. Notification Fee: A fee of \$25.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
- b. Customer Account Charge: A fee of \$20.00 shall be charged as a one-time fee to defray the costs of initiating service.
- c. Reconnection charges: In addition to any other charges that may be due, a reconnection fee of \$250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due. The amount of the reconnection fee shall be in accordance with R.103-532.4 and shall be changed to conform with said rule as the rule is amended from time to time.

**4. BILLING CYCLE**

Recurring charges will be billed monthly. Nonrecurring charges will be billed and collected in advance of service being provided.

**5. LATE PAYMENT CHARGES**

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1½%) percent.

**6. TOXIC AND PRETREATMENT EFFLUENT GUIDELINES**

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR §§ 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR §§ 403.5 and 403.6 are to be processed according to the

**PAGE 3 - SETTLEMENT AGREEMENT EXHIBIT 1**

pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

**7. REQUIREMENTS AND CHARGES PERTAINING TO SATELLITE SYSTEMS**

- a. Where there is connected to the Utility's system a satellite system, as defined in S.C. Code Ann. Regs. 61-9.505.8 or other pertinent law, rule or regulation, the owner or operator of such satellite system shall operate and maintain same in accordance with all applicable laws, rules or regulations.
- b. The owner or operator of a satellite system shall construct, maintain, and operate such satellite system in a manner that the prohibited or untreated materials referred to in Section 6 of this rate schedule (including but not limited to Fats, Oils, Sand or Grease), stormwater, and groundwater are not introduced into the Utility's system.
- c. The owner or operator of a satellite system shall provide Utility with access to such satellite system and the property upon which it is situated in accordance with the requirements of Commission Regulation 103-537.
- d. The owner or operator of a satellite system shall not less than annually inspect such satellite system and make such repairs, replacements, modifications, cleanings, or other undertakings necessary to meet the requirements of this Section 7 of the rate schedule. Such inspection shall be documented by written reports and video recordings of television inspections of lines and a copy of the inspection report received by the owner or operator of a satellite system, including video of the inspection, shall be provided to Utility. Should the owner or operator fail to undertake such inspection, Utility shall have the right to arrange for such inspection and to recover the cost of same, without mark-up, from the owner or operator of the satellite system.
- e. Should Utility determine that the owner or operator of a satellite system has failed to comply with the requirements of this Section 7 of the rate schedule, with the exception of the requirement that a satellite system be cleaned, the Utility may initiate disconnection of the satellite system in accordance with the Commission's regulations, said disconnection to endure until such time as said requirements are met and all charges, costs and expenses to which Utility is entitled are paid. With respect to the cleaning of a satellite system, the owner or operator of a satellite system shall have the option of cleaning same within five (5) business days after receiving written notice from Utility that an

**PAGE 4 - SETTLEMENT AGREEMENT EXHIBIT 1**

inspection reveals that a cleaning is required. Should the owner or operator of such a satellite system fail to have the necessary cleaning performed within that time frame, Utility may arrange for cleaning by a qualified contractor and the cost of same, without mark-up, may be billed to the owner or operator of said system.

**8. CONSTRUCTION STANDARDS**

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the system.

**9. EXTENSION OF UTILITY SERVICE LINES AND MAINS**

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into its sewer system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point on the Utility's sewer system may receive service, subject to paying the appropriate fees and charges set forth in this rate schedule, complying with the guidelines and standards hereof, and, where appropriate, agreeing to pay an acceptable amount for multi-tap capacity.

**10. CONTRACTS FOR MULTI-TAP CAPACITY**

The Utility shall have no obligation to modify or expand its plant, other facilities or mains to treat the sewerage of any person or entity requesting multi-taps (a commitment for five or more taps) unless such person or entity first agrees to pay an acceptable amount to the Utility to defray all or a portion of the Utility's costs to make modifications or expansions thereto.

**11. SINGLE FAMILY EQUIVALENT**

A Single Family Equivalent (SFE) shall be determined by using the wastewater design loading guidelines found in 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2013), as may be amended from time to time, except that commercial customers described in sub-part FF.3 of the foregoing regulation shall have their number of SFE's calculated only on the basis of cars served in a drive-in. Where the Utility has reason to suspect that a person or entity is exceeding design loadings established by these guidelines, the Utility shall have the right to request and receive water usage records from that person or entity and/or the provider of water to such person or entity. Also, the

**PAGE 5 - SETTLEMENT AGREEMENT EXHIBIT 1**

Utility shall have the right to conduct an "on premises" inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.



**Palmetto Wastewater Reclamation, LLC (Alpine Utilities and Woodland Utilities Service Areas)**

**Docket No. 2014-69-S**

**Operating Experience & Operating Margin  
 For the Test Year Ended December 31, 2013**

<u>Description</u>	<u>(1) Application Per Books \$</u>	<u>(2) Accounting &amp; Pro Forma Adjustments \$</u>	<u>(3) After Accounting &amp; Pro Forma Adjustments \$</u>	<u>(4) Applicant's Proposed Increase \$</u>	<u>(5) After Applicant's Proposed Increase \$</u>
<b><u>OPERATING REVENUE</u></b>					
Service Revenues	3,019,699	102,457 (1)	3,122,156	434,217 (9)	3,556,373
Other Sewer Revenues	81,912	3,304 (2)	85,216	8,950 (10)	94,166
<b>TOTAL OPERATING REVENUE</b>	<b>3,101,611</b>	<b>105,761</b>	<b>3,207,372</b>	<b>443,167</b>	<b>3,650,539</b>
<b><u>SEWER OPERATION AND MAINTENANCE EXPENSES</u></b>					
Operation and Maintenance Expense	735,646	(22,659) (3)	712,987	0	712,987
Administrative and General Expense	147,645	845,349 (4)	992,994	4,432 (11)	997,426
<b>TOTAL OPERATING AND MAINTENANCE EXPENSES</b>	<b>883,291</b>	<b>822,690</b>	<b>1,705,981</b>	<b>4,432</b>	<b>1,710,413</b>
Depreciation and Amortization Expense	369,453	76,971 (5)	446,424	0	446,424
Taxes Other Than Income Tax Expense	125,620	151,617 (6)	277,237	2,939 (12)	280,176
Income Tax Expense	687,560	(479,376) (7)	208,184	162,551 (13)	370,735
<b>TOTAL OPERATING EXPENSES</b>	<b>2,065,924</b>	<b>571,902</b>	<b>2,637,826</b>	<b>169,922</b>	<b>2,807,748</b>
<b><u>TOTAL OPERATING INCOME (LOSS)</u></b>	<b>1,035,687</b>	<b>(466,141)</b>	<b>569,546</b>	<b>273,245</b>	<b>842,791</b>
Less: Interest Income and Interest Expense - Net	(120,074)	339,671 (8)	219,597	0	219,597
<b><u>NET INCOME (LOSS) FOR MARGIN</u></b>	<b>1,155,761</b>	<b>(805,812)</b>	<b>349,949</b>	<b>273,245</b>	<b>623,194</b>
<b><u>OPERATING MARGIN</u></b>	<b>37.26%</b>		<b>10.91%</b>		<b>17.07%</b>

**Palmetto Wastewater Reclamation, LLC (Alphas Utilities and Woodland Utilities Service Areas)**  
**Docket No. 2014-69-S**  
**Explanation of Accounting and Pro Forma Adjustments**  
**For the Test Year Ended December 31, 2013**

	ORS Adj's	PWR Adj's	Description	\$ ORS	\$ Applicant
<b><u>Accounting and Pro forma Adjustments</u></b>					
<b>(1) <u>Service Revenues</u></b>					
Flat Rate Residential Revenue	1a	1	To adjust residential revenues to reflect test year customer billings.	125	2,730
Flat Rate Commercial Revenue	1b	1	To adjust commercial and industrial revenues to reflect test year customer billings.	760	8,529
Flat Rate Multi-Family Revenue	1c	1,2	To adjust multi-family revenue to reflect test year customer billings.	101,572	112,435
<b>(1) <u>Total Service Revenues</u></b>				<b>102,457</b>	<b>123,694</b>
<b>(2) <u>Other Sewer Revenues</u></b>					
Other Sewer Revenues - Notification Fees	2a		ORS proposes to adjust other sewer revenues to reflect test year notification fees.	(4,400)	0
Other Sewer Revenues - Customer Account Charge, MCEC and Tap Fees (Non-CIAC)	2b		ORS proposes to adjust other sewer revenues to reflect test year customer account charges, MCEC refund and Non-CIAC tap fees.	7,704	0
<b>(2) <u>Total Other Sewer Revenues</u></b>				<b>3,304</b>	<b>0</b>
<b>(3) <u>Operation and Maintenance Expenses</u></b>					
Sludge Removal Expense	3a		ORS proposes to remove expenses incurred outside the test period.	(4,858)	0
Contract Services - Operations	3b	3	To reflect current Utility Partners (3rd Party Operator) expense.	9,502	39,200
Contract Services - Billing and Collections - Other	3c	3	To reflect current Utility Partners (3rd Party Operator) expense.	28	63,463
Contract Services - Testing	3d		ORS proposes to remove expenses paid by PWR to another 3rd party for services included as part of the Utility Partners contract.	(3,074)	0
Contract Services - Service Calls	3e		ORS proposes to remove expenses incurred outside the test period.	(9,450)	0
Contract Services - Lift Station Maintenance	3f		ORS proposes to remove expenses incurred outside the test period.	(1,180)	0
Contract Services - General Maintenance	3g		ORS proposes to remove expenses incurred outside the test period as well as expenses that should have been capitalized.	(13,427)	0
Contract Services - Other	3h		ORS proposes to remove expenses recorded incorrectly.	(200)	0
<b>(3) <u>Total Operation and Maintenance Expenses</u></b>				<b>(23,689)</b>	<b>102,663</b>

**Palmetto Wastewater Reclamation, LLC (Alpine Utilities and Woodland Utilities Service Areas)**  
**Docket No. 2014-69-S**  
**Explanation of Accounting and Pro Forma Adjustments**  
**For the Test Year Ended December 31, 2013**

	ORS AdLR	PWR AdLR	Description	\$ ORS	\$ Applicant
<b>(4) Administrative and General Expenses</b>					
Contract Services - Legal	4a	2j	To reflect Alpine legal costs recorded at Ni America Operating, LLC.	4,836	4,836
Rent Expense	4b	8	To allocate a portion of the Palmetto Utilities office rent to Alpine and Woodland Utilities.	16,895	17,494
Advertising Expenses	4c		ORS proposes to reduce expenses for nonallowable items.	(500)	0
Bank Service Charges	4d	6	To allocate expenses of PWR LLC to Alpine and Woodland Utilities.	215	215
Regulatory Commission Expense-Amortization	4e	10	To amortize current and unamortized prior rate case expenses over a 2 year period.	111,459	77,234
Bad Debt Expense	4f	4	To reflect bad debt expense at 1.0% of applicable revenue at present rates (MCEC refund of \$4,884 not included in calculation). Company used 1.5% of revenue to calculate bad debt expense adjustment.	1,000	17,355
Dues, Fees, and Subscriptions	4g	6	To allocate expenses of PWR LLC to Alpine and Woodland Utilities.	787	787
Bank Fees	4h	9	To allocate a portion of the Palmetto Bank service fees to Alpine and Woodland Utilities.	4,860	4,860
Miscellaneous General Expense-Overhead Allocation	4i	5, 7	To allocate allowable Ni America overhead costs to PWR.	705,797	795,784
<b>(4) Total Administrative and General Expenses</b>				<b>845,349</b>	<b>918,565</b>
<b>(5) Depreciation and Amortization Expenses</b>					
Depreciation Expense	5a	11, 12, 13	To reflect depreciation expense related to plant in service as of 6/3/2014.	146,855	184,722
Amortization Expense - CIAC	5b	14	To reflect amortization expense related to CIAC as of 12/31/2013.	(40)	(40)
Amortization Expense - Capitalized Maintenance	5c	15, 16	To annualize amortization of capitalized maintenance expense as of 6/3/2014.	(69,844)	94,283
<b>(5) Total Depreciation and Amortization Expenses</b>				<b>76,971</b>	<b>278,965</b>
<b>(6) Taxes Other Than Income Tax Expenses</b>					
Taxes Other Than Income - Property Taxes	6a	17	To reflect the estimated property tax expense for this rate filing.	143,127	125,948
Total Taxes Other Than Income - SCPSC Assessment	6b		ORS proposes to adjust utility/commission taxes associated with the Company's proforma revenue.	8,490	0
<b>(6) Total Taxes Other Than Income Tax Expenses</b>				<b>151,617</b>	<b>125,948</b>
<b>(7) Income Tax Expenses</b>					
Income Taxes - State and Federal	7	18	To reflect income taxes on pro-forma adjustments. See Audit Exhibit DFB-4.	(479,376)	(607,642)
<b>(7) Total Income Tax Expenses</b>				<b>(479,376)</b>	<b>(607,642)</b>

**Palmetto Wastewater Reclamation, LLC (Alphas Utilities and Woodland Utilities Service Areas)**  
**Docket No. 2014-69-S**  
**Explanation of Accounting and Pro Forma Adjustments**  
**For the Test Year Ended December 31, 2013**

	ORS A41S	PWR A41S	Description	\$ ORS	\$ Applicant
<b>(8) Interest Income and Interest Expense - Net</b>					
Allowance for Funds Used During Construction	8a	20	To eliminate AFUDC from the operating margin calculation.	132,901	132,901
Interest Synchronization	8b	6, 19	To reflect interest synchronization.	206,770	193,720
<b>(8) Total Interest Income and Interest Expense - Net</b>				<b>339,671</b>	<b>326,621</b>
<b>Proposed Income Adjustments</b>					
<b>(9) Service Revenues</b>					
Flat Rate Residential Revenue	9a		To adjust residential revenues to reflect the Company's proposed increase.	111,497	129,029
Flat Rate Commercial Revenue	9b		To adjust commercial and industrial revenues to reflect the Company's proposed increase.	(99,872)	18,195
Flat Rate Multi-Family Revenue	9c		To adjust commercial and industrial revenues to reflect the Company's proposed increase.	422,592	607,068
<b>(9) Total Service Revenues</b>				<b>434,217</b>	<b>754,292</b>
<b>(10) Other Sewer Revenues</b>					
Other Sewer Revenues - Notification Fees	10a		ORS proposes to adjust for notification fees associated with the Company's proposed increase.	4,400	0
Other Sewer Revenues - Late Fees	10b		ORS proposes to adjust for late fees associated with the Company's proposed increase.	4,530	0
Other Sewer Revenues - Customer Account Charge, MCBC and Tap Fees (Non-CIAC)	10c		ORS proposes to adjust for customer account charges associated with the Company's proposed increase.	20	0
<b>(10) Total Other Sewer Revenues</b>				<b>8,950</b>	<b>0</b>
<b>(11) Administrative and General Expenses</b>					
Bad Debt Expense	11		To include bad debt expense (1%) associated with the Company's proposed increase.	4,432	11,314
<b>(11) Total Administrative and General Expenses</b>				<b>4,432</b>	<b>11,314</b>
<b>(12) Taxes Other Than Income Taxes</b>					
Total Taxes Other Than Income - SCPSC Assessment	12		ORS proposes to adjust utility/commission taxes associated with the Company's proposed increase.	2,939	0
<b>(12) Total Taxes Other Than Income Taxes</b>				<b>2,939</b>	<b>0</b>
<b>(13) Income Taxes</b>					
Income Taxes - State and Federal	13		To adjust income taxes associated with the Company's proposed increase. See Audit Exhibit DFS-4.	162,551	277,131
<b>(13) Total Income Taxes</b>				<b>162,551</b>	<b>277,131</b>

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## Companies of Disproportion and American Business

For the Test Year Ended December 31, 2013

Description	PWR Plant in Service		CWSB Business Area		CWSB Plant in Service		Less: Fully Depreciated Plant	CWSB Plant in Service		Service Life	Depreciation Rate	Depreciation Expense
	Per Book 2251/13	Capitalized Maintenance	CWSB Additions	CWSB Nondepreciable	CWSB Plant in Service	CWSB Plant in Service		Depreciation Expense	Depreciation Rate			
Collection System - Overall												
PVC - 4" to 36"	1,694,200	384,252	403,852	(15,075)	2,571,519	-	2,571,519	-	45	2.22%	56,206	
Manholes	289,039	58,310	130	-	268,379	-	268,379	-	30	3.39%	8,977	
	1,983,239	444,622	463,982	(15,075)	2,840,198	-	2,840,198	-			65,183	
Collection System - Services to Customers												
Services	335,910	109,266	-	-	465,176	-	465,176	-	38	2.67%	12,234	
Elbow Valves	97,975	-	5,533	-	103,508	-	103,508	-	38	2.67%	2,772	
Grease Traps	3,411	-	-	-	3,411	-	3,411	-	38	2.67%	99	
	437,294	109,266	5,533	-	572,085	-	572,085	-			15,046	
Flow Measurement Devices												
Flow Measuring Devices	672	-	-	-	672	-	672	-	5	20.00%	134	
Total Collection Plant	2,364,455	553,888	469,315	(15,075)	3,371,563	-	3,371,563	-			80,323	
Pumping Plant												
Pumping Equipment	118,201	-	-	-	118,201	(25,135)	93,066	-	18	5.56%	5,175	
Total Pumping Plant	118,201	-	-	-	118,201	(25,135)	93,066	-			5,175	
Treatment & Disposal Plant												
Land and Land Rights	57,112	-	-	-	57,112	-	57,112	-	32	3.17%	N/A	
Structures & Improvements	158,427	-	1,315	-	159,742	-	159,742	-	20	5.07%	5,000	
Power Generating Equipment	30,994	-	30,994	-	61,988	-	61,988	-	20	5.07%	2,691	
Treatment & Disposal Equipment	3,138,447	-	901,200	(64,854)	3,974,793	(688,070)	3,286,723	-	28	3.59%	150,483	
Outfall Sewer Lines	390,639	-	3,912	-	397,571	(779,716)	17,855	-	30	3.37%	595	
Total Treatment and Disposal Plant	3,778,639	-	929,447	(64,854)	4,643,233	(714,786)	3,928,446	-			201,769	
General Plant												
Structures and Improvements	49,240	-	-	(4,288)	45,022	(1,588)	43,506	-	32	3.15%	1,362	
Office Equipment and Equipment												
Office Furniture and Equipment	5,043	-	-	-	5,043	-	5,043	-	15	6.67%	336	
Computer and Software	14,481	-	-	-	14,481	(11,414)	3,067	-	6	16.67%	511	
	19,523	-	-	-	19,523	(11,414)	8,109	-			847	
Tools, Shop, and Garage Equipment												
Laboratory Equipment	4,309	-	-	-	4,309	-	4,309	-	16	6.35%	269	
Power Operating Equipment	2,631	-	-	-	2,631	-	2,631	-	15	6.67%	242	
Communication Equipment	74,179	-	-	-	74,179	-	74,179	-	12	8.35%	6,346	
Miscellaneous Equipment	24,856	-	2,161	-	27,017	-	27,017	-	10	10.00%	2,702	
	8,219	-	-	-	8,219	-	8,219	-	15	6.67%	548	
Total General Plant	118,997	-	2,161	(4,288)	118,910	(12,949)	178,970	-			13,316	
Total Plant in Service	6,447,633	553,888	1,401,123	(64,157)	8,311,365	(792,559)	7,518,807	-			286,585	
Less: Per Book Depreciation Expense											152,728	
CWSB Adjustment to Depreciation Expense											144,855	

**Paketo Waterway Reclamation, LLC (Alpine Utilities and Woodland Utilities Service Area)**  
**Section No. 2014-09-5**  
**Computation of Depreciation and Amortization Expenses**  
**For the Tax Year Ended December 31, 2023**

[illegible]

**Palmetto Wastewater Reclamation, LLC (Alpine Utilities and Woodland Utilities Service Areas)**  
**Docket No. 2014-69-S**  
**Computation of Income Taxes**  
**For the Test Year Ended December 31, 2013**

<b>After Accounting &amp; Pro Forma Adjustments</b>	
	<b>\$</b>
	<b>Wastewater Operations</b>
Operating Revenues	3,207,372
Operating Expenses	2,429,642
Net Operating Income Before Taxes	777,730
Less: Interest Expense	219,597
Taxable Income - State	558,133
State Income Tax %	5.0%
State Income Taxes	27,907
Taxable Income - Federal	530,226
Federal Income Taxes %	34.0%
Federal Income Taxes	180,277
State and Federal Income Taxes	208,184
Less: Per Book Income Taxes	687,560
Total Adjustment to Income Taxes	(479,376)
<b>After Applicant's Proposed Increase</b>	
	<b>\$</b>
	<b>Wastewater Operations</b>
Operating Revenues	3,650,539
Operating Expenses	2,437,013
Net Operating Income Before Taxes	1,213,526
Less: Interest Expense	219,597
Taxable Income - State	993,929
State Income Tax %	5.0%
State Income Taxes	49,696
Taxable Income - Federal	944,233
Federal Income Taxes %	34.0%
Federal Income Taxes	321,039
State and Federal Income Taxes	370,735
Less: As Adjusted Income Taxes	208,184
Total Adjustment to Income Taxes	162,551